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HUGE NUMBERS OF PATENT CASES: HOW ONE DISTRICT JUDGE MANAGES THEM

The 2018 Supreme Court IP Review Address

THE HONORABLE WILLIAM ALSUP*

INTRODUCTION

I have one thing that I've learned in my 73 years of life about IP that I feel really bears on me, and it's something I would like to share with you. It's what I summarize basically as a plague on innovation. I see it in so many cases, and I'm going to go through and explain to you in some detail why I, as just a lowly district judge, see it this way.

Now one reason I didn't feel comfortable making this presentation was because you are the experts and I'm not, but the other reason is that every time I do make one of these speeches, someone uses it to try to disqualify me from the case. So, I need to make it very clear that the views I'm giving are my professional views; my views as somebody who's lived long enough to see a little history of this country. And I want to make clear that I do follow the law. If I don't agree with a decision by the Federal Circuit, too bad for me; I follow it anyway because I took an oath to follow the law. I try to be fair to both sides even if I think one of them is a total abuser of the system. I still follow the law, and I give both sides their fair hearing. Nevertheless, I think I wouldn't be doing my job as a judge if I didn't step back every now and then and say to you or to anyone willing to listen, "Here's how this system ought to be fixed."

* United States District Judge for the Northern District of California. Judge Alsup's speech was the 2018 Supreme Court IP Review Address delivered at Chicago-Kent College of Law. The speech has been edited for publication.

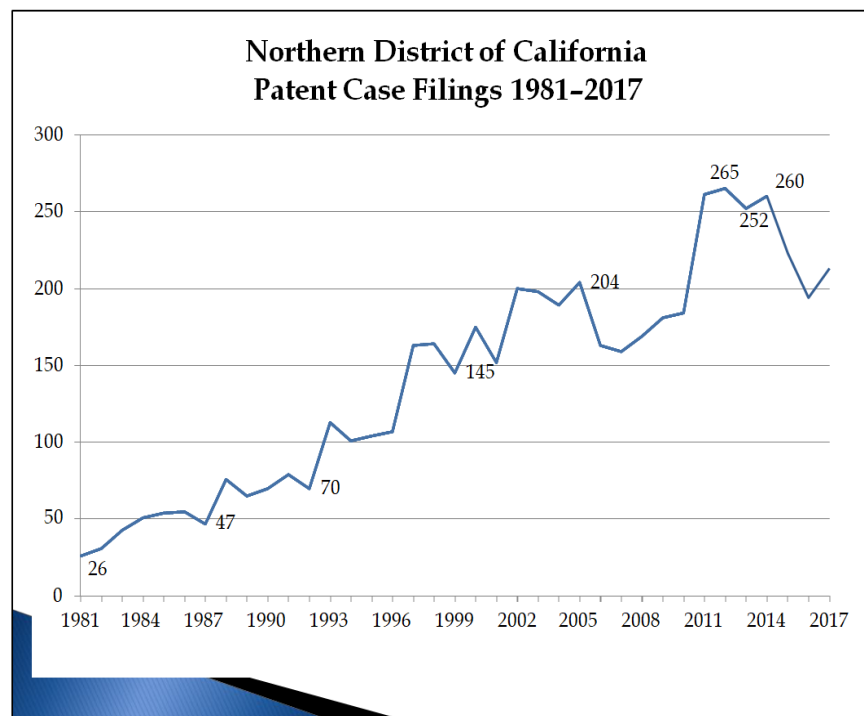
I. INCREASE IN PATENT LITIGATION INVOLVING MULTIPLE CLAIMS AND PATENTS

A. *Growth of Patent Cases in the Northern District of California*

Here's a typical scenario I face as a district judge: there's a guy the government wants to put away for 135 months, and then I have to go to a case where they want me to construe 135 claims. My heart sinks that it would be like that today. Today, more than ever, the amount of time and resources patent cases demand feels very off-balance with all the other cases on my docket.

Now, why is that? The chart in Figure 1 below, which goes all the way back to 1981, shows the steady march upward in our district court in California where I sit in San Francisco.

**Figure 1. Northern District of California Patent Case Filings
1981-2017¹**



1. This chart was put together by the author based on the Judge and the Judge's staff's compilation of patent case filing data for the Northern District of California.

To give context to this trend, I'm going to explain to you the then and now. When I started practicing in the '70s and even into the early '80s in San Francisco, when you heard about a patent case, it was always a boutique-type thing.² Law firms like my firm—Morrison & Foerster—didn't have any patent practice. We referred the patent cases to one of the two patent boutique firms in San Francisco because they knew the arcane ins and outs of patent law, and we didn't know any of that stuff. We were trial lawyers; we were not patent lawyers. So, there were very few patent cases in the system in those days.

Patent cases back then also typically involved a competitor suing a competitor. Two people who were actually trying to manufacture something or provide a service to the public and one of them had a patent and was trying to enforce it against the other side. And usually there was one patent. Sure, there were some gigantic cases with more than one patent, but the typical case involved one patent, and maybe two or three claims would be asserted.

And then there would be a bench trial because, in those days, the lawyers didn't trust juries.³ I don't know why they trusted the judges any more, but I guess they felt like it was easier to try a case to the bench as opposed to trying it to a jury.⁴ So, the cases were almost always bench trials, and then the judge would make findings of fact. Then the case would go up on appeal to your circuit court. So, those appeals in my district were to the Ninth Circuit in those days.

Now we come to the "now." I remember a conversation I had with a fellow named Mike Jacobs at my ex-firm. Mike said, "We ought to start an intellectual property group." I said, "Why would we do that?" Mike said, "Well, this is the new thing." He explained to me about the Federal Circuit and how the Federal Circuit was going to revamp the law, and there was going to be all this patent litigation. I said, "Oh, that's never going to

2. See generally Cliff Collins, *A Matter of Degrees J.D. + Ph.D. = Demand and Career Success*, OR. ST. B. BULL. (Nov. 2004), <https://www.osbar.org/publications/bulletin/04nov/degrees.html>; Molly McDonough, *Busting the Boutiques Big Firms Are Gobbling Up IP Law Practices*, ABA J.E-REPORT, (Dec. 19, 2003, at 2); see also Donald R. Dunner, *The Supreme Court: A Help or A Hindrance to the Federal Circuit's Mission?*, 17 J. MARSHALL REV. INTEL. PROP. L. 298, 300 (2018); Rick McDermott, *Lessons Learned from Fifteen Years in the Trenches of Patent Litigation*, 14 MARQ. INTEL. PROP. L. REV. 471, 478–79 (2010).

3. Howard T. Markey, *Special Problems in Patent Cases*, 66 F.R.D. 529, 545 (1975).

4. See also John R. Alison, *The Role of Juries in Managing Patent Enforcement: Judge Howard Markey's Opinions and Writings*, 8 J. MARSHALL REV. INTEL. PROP. L. SP 41 (2009).

happen.” Well, it did happen, and now we have huge caseloads of patent litigation, most of which are non-practicing entity cases.⁵

Figure 2. Comparison of Patent Case Filings Then and Now

Then and Now	
Then	Now
few patent cases	huge patent caseload
competitor v. competitor	mostly non-practicing entities
only one or few patents asserted	“portfolio” of patents asserted
bench trial	jury trial
one case in one court	multiple cases for same “portfolio”

The word, “portfolio,” has come into the lexicon.⁶ In the old days, a patent holder would write a letter and say, “We’ve got the ‘719 patent, and we looked at your motor, and you infringe our patent. Specifically, claim one reads as follows, and here’s how you infringe.” They would send that letter and tell them to cease and desist. If they didn’t, they’d go to court. Now it’s more common today to send a letter that says, “We have a portfolio of patents that cover motors,” or, “analog to digital conversion,” or, “power supplies and you have power supplies so, undoubtedly you

5. See Colleen V. Chien, *From Arms Race to Marketplace: The Complex Patent Ecosystem and Its Implications for the Patent System*, 62 HASTINGS L.J. 297, 326–32 (2010); For a discussion of a notorious non-practicing entity see Grace Heinecke, *Pay the Troll Toll: The Patent Troll Model Is Fundamentally at Odds with the Patent System’s Goals of Innovation and Competition*, 84 FORDHAM L. REV. 1153, 1170–73 (2015).

6. See generally Stuart J.H. Graham et al., *High Technology Entrepreneurs and the Patent System: Results of the 2008 Berkeley Patent Survey*, 24 BERKELEY TECH. L.J. 1255 (2009).

infringe one of our patents somewhere. Therefore, you would be well advised to get a license from us.”

Well, sometimes the recipient of that letter will say, “It’s better to just pay them the money; let’s just pay them the money and we’ll get the portfolio and avoid the cost of litigation.”⁷ But someone every now and then will fight and winds up in court, and it turns out the patent holder has done zero homework; they’re just hoping somewhere in that portfolio they can find a patent that actually does cover the motor.⁸ So, that’s what I see. The case starts with a portfolio being asserted; they don’t even name the patents. There may be a dozen patents in the portfolio, but they don’t call them out by name. One of the reasons I figured out why they don’t call it out by name is because if you do, it makes it easier for the other side to go in for declaratory ruling. If you stay vague, it may not be enough of a threat to warrant declaratory relief. I think that’s part of the strategy behind the portfolio approach.

The next difference is a jury trial is always asked for now—why? Because—at least in the ‘80s and ‘90s—all of the advantages were with the patent holder. You get to start with that wonderful document with the red ribbon and seal. How many times did I see that show go on? It’s in every patent case. “You get the seal and what that means, ladies and gentlemen, is that an expert in the patent office decided that we had an invention. And after we got the invention, who stole it? The bad guy.” That’s the way it always goes. So, the jury is thinking, “Look, that gold seal; this is a patent and the expert says they infringed.”

I have a little aside in the *Waymo v. Uber* trial.⁹ The parties ended up settling on the fifth day of trial, so, it didn’t go all the way to the end.¹⁰ But we had a jury there. I asked during one of the hearings about three months before the trial, “Is anybody here from the press?” About 20 people raised their hand. I said, “I want you to know something. When we pick the jury, you pay attention to which side uses their preemptory challenges to knock

7. Jay P. Kesan & Gwendolyn G. Ball, *How Are Patent Cases Resolved? An Empirical Examination of the Adjudication and Settlement of Patent Disputes*, 84 WASH. U.L. REV. 237, 272 (2006) (finding that for 1995, 1997, and 2000 the majority of patent cases terminated in some form of non-adjudicated agreement).

8. John R. Allison et al., *How Often Do Non-Practicing Entities Win Patent Suits?*, 32 BERKELEY TECH. L.J. 237, 268–74 (2017) (finding that operating companies won more patent cases than non-practicing entities).

9. See *Waymo LLC v. Uber Techs., Inc.*, 252 F. Supp. 3d 934 (N.D. Cal.), *aff’d*, 870 F.3d 1342 (Fed. Cir. 2017); *Waymo LLC v. Uber Techs., Inc.*, 256 F. Supp. 3d 1059 (N.D. Cal. 2017).

10. Nanding Chen, *Waymo v. Uber: Surprise Settlement Five Days into Trial*, JOLT DIGEST, (Mar. 3, 2018), <https://jolt.law.harvard.edu/digest/waymo-v-uber-surprise-settlement-five-days-into-trial>.

off the people who understand science. I don't know who it is in this case yet, but I have learned from experience that one side or the other will be afraid to have anybody on the jury that can understand the science." Sure enough, when the date came, there were three people on that jury pool with the science background, and one side—I won't name who—used all three peremptories to knock those people off the jury.

I share that story to illustrate that when it comes to picking a jury, one side is going to want somebody that they can bamboozle; they want to knock the people off who can actually understand the patent and understand the science and where the motor uses whatever it is that the motor uses.

Another major difference is that competitor-competitor suits are less common today. These companies have now built up their own arsenal of patents—so a company asserting patents against a competitor could lead to mutual destruction. But that dynamic is not present with non-practicing entities—they do not have any products of their own, so they have nothing to lose.

So, much of patent litigation today is brought by non-practicing entities, and they will sue everyone in the industry who has an analog to digital conversion or who has a motor or power supply on the theory that somewhere in your product, you will infringe one of the many patents in the portfolio. That's another difference between then and now. Back when I had that conversation with my friend, Mike Jacobs, in the late '80s at Morrison & Forester when he said, "Look, we need to have an IP department," the whole idea of a non-practicing entity hadn't even developed yet.

What accounts for the increase in patent litigation? I think in fairness I have to say that part of why the upward trend exists is due to the advance of technology in America. We've seen this upward trend with the growth of technology such as the computer, software applications, the smartphone. That whole industry did not exist in 1983; the computer industry existed, but those wonderful applications were still in the future. The pharmaceutical industry has also experienced a lot of growth. There has been a march in science and technology, and that has caused people to want to get in on the action, further improving the technology. Naturally, that would, in turn, create more patents. So, I think we have to say part of the upward trend in patent litigation is attributable to the simple fact that in America we've made great strides in technology. But I'm also going to suggest that there are at least two other causes—the Federal Circuit and the PTO.

B. The Federal Circuit and the Patent Office

The Federal Circuit was enacted in 1982.¹¹ It took all the jurisdiction on patent cases to one court—the United States Court of Appeals for the Federal Circuit.¹² That court allowed me to sit with them by designation once, and I want to tell you, they were wonderful—as colleagues and the care that they put into the decisions. I felt honored to be a part of that process.

Now, at the time in 1982, there was a view in this country, and I think in Congress, that foreign companies were stealing our crown jewels and that the Federal Circuit was going to stop that through the patent system. With the creation of the Federal Circuit, the patent was now presumed valid, and it could only be overcome by clear and convincing evidence.¹³ That, I think, was one of the contributing factors that led to the view among litigators that holding a patent was a great thing. You had to have a red ribbon, and you could get an expert—these days you can get an expert to say anything—and they will testify that there's infringement.

The role of the Patent Office in issuing patents is also, I believe, another factor. Now, I don't think I'm an expert on technology. I do have a mathematics degree and I minored in engineering mechanics. I have the highest FCC license allowed by law for amateur radio; I can tell you how a radio works and how those components work and what they do. I do understand those things. I still don't think I'm qualified as an expert in court, but I have an aptitude for understanding these patents if I read it and study it and get some help from the lawyers.

I think I understand it, and I am convinced to a moral certainty that 40 percent of the patents granted by the examiners should never have been issued in the first place. Forty percent. Another 40 percent of the patents look pretty good to me; they look like they really did have a worthwhile improvement to warrant a patent. Another 20 percent are kind of in a gray area. And I think the *Inter Partes* Review (“IPR”) data reflects this to a certain extent.¹⁴

11. Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (codified in scattered sections of 28 U.S.C.).

12. *Id.*

13. See Kristen Dietly, *Lightening the Load: Whether the Burden of Proof for Overcoming A Patent's Presumption of Validity Should Be Lowered*, 78 FORDHAM L. REV. 2615, 2649–51 (2010) (discussing how following *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1360 (Fed. Cir. 1984), the Federal Circuit adopted the “Clear and Convincing” standard.).

14. As September 2018, 60 percent of IPR petitions are granted. See Patent Trial and Appeal Board, Trial Statistics (Sept. 30, 2018), https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180930a.pdf.

Think about the companies who invest tens of millions of dollars in a single project that may or may not work out. They spend a lot of time and resources for real innovation with engineering, which allows you to do something good with science. That's what engineering is. These engineers get in there, and they do it. It's like the people who built the atomic bomb in World War II. Most people thought it was an impossibility to get that done. Engineers, through innovation, trial and error, got that done. If they are successful and introduce a successful product, the chances are that someone who does not practice will assert a patent, trying to claim the successful product ripped off their invention. Sometimes this is true, but often it isn't, especially considering how many patents get asserted that never should've been issued in the first place.

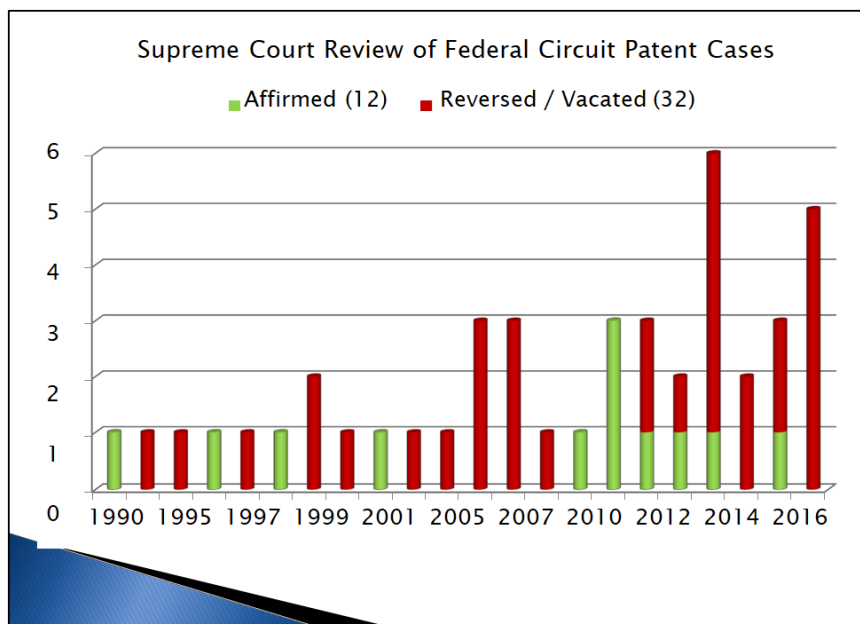
II. REFORMS OF THE PATENT SYSTEM

Now that I've laid out my views on what I think are problems in the patent system, I'll discuss recent changes that try to address them. Specifically, the Supreme Court and Congress have notably started to weigh in and offer ways to help manage the burden of patent cases today. And, I think district courts can use case management to try to address the burden of patent cases as well.

A. *The Supreme Court Patent Decisions*

The first recent change in the patent system is the increased involvement of the Supreme Court. You might ask, "Well, how does the Supreme Court fit in and what does this guy down at the bottom of the pyramid know about the top of the pyramid?"

Let's go back to the point on the Federal Circuit. The Supreme Court has had a different view of the patent law than the Federal Circuit, and I want to break it down in two ways. First, Figure 3 shows all patent cases taken up by the Supreme Court since 1990. The red ones are where the Federal Circuit was reversed; the green ones are where they were affirmed. The ratio is 32:12, and that tells us that the Supreme Court seems to have a different view on patent law than the Federal Circuit.

Figure 3. Supreme Court Review of Federal Circuit Patent Cases¹⁵

Second, when you go through all those cases and see which ones came out for the patent holder in the Supreme Court and which ones came out for the accused infringer, you'll see it's almost again 32:12. It is 30:12. Now there were some that you just couldn't decide one way or the other; it didn't involve an issue that was that easy to categorize. But for the clear-cut decisions, it came out to 30:12.

So, roughly 70 percent of the decisions are going against the patent holder and only about 30 percent are going for the patent holder in the Supreme Court during that period of time. I think that's a pretty good indicator that the Supreme Court has a different view of our patent system from the Federal Circuit.

B. The America Invents Act and Inter Partes Review

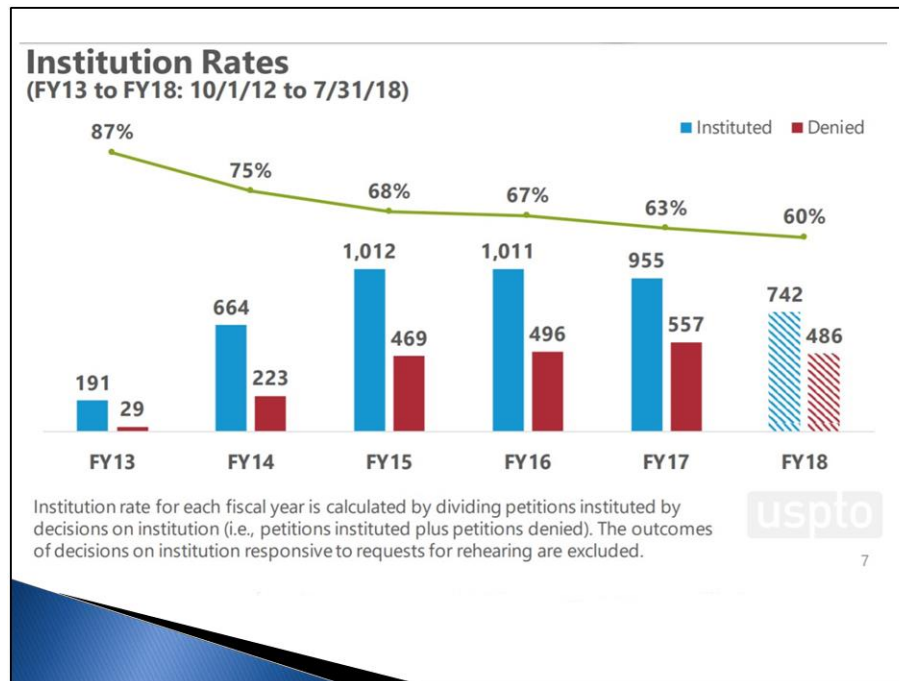
We also now have the America Invents Act,¹⁶ which enacted the Patent Trial and Appeal Board ("PTAB") and created the IPR process.

15. This chart was put together by the author based on the Judge and the Judge's staff's analysis of available data.

16. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284.

Look at the IPR institution rates in Figure 4 below. They've been going down a little bit but 60 percent where the PTAB's given a decision, it's instituting IPRs. Then in a fair number of those institutions, the PTAB is actually invalidating one or more of the claims in the patent. That's how the IPR has worked out since it came online in 2012.

Figure 4. Institution Rates of *Inter Parts* Review in PTAB¹⁷



And now I come to the question—how can us district judges possibly manage this huge burden of IP cases today? I'm going to give you a couple of answers. The first answer is, issue stays pending IPR.

Now, I don't like grass growing under my feet. When I first started this job before the IPRs came along, if we had a patent case, I gave the parties a schedule and worked hard to keep them on track; they had to work hard. We went to trial and the defendant would always come and say, "We move for reexamination," to try to stay the case. I said, "No way," because in those days, those reexams I think we're like a 13 percent hit ratio. The

17. Patent Trial and Appeal Board, Trial Statistics (July 31, 2018), https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180731.pdf.

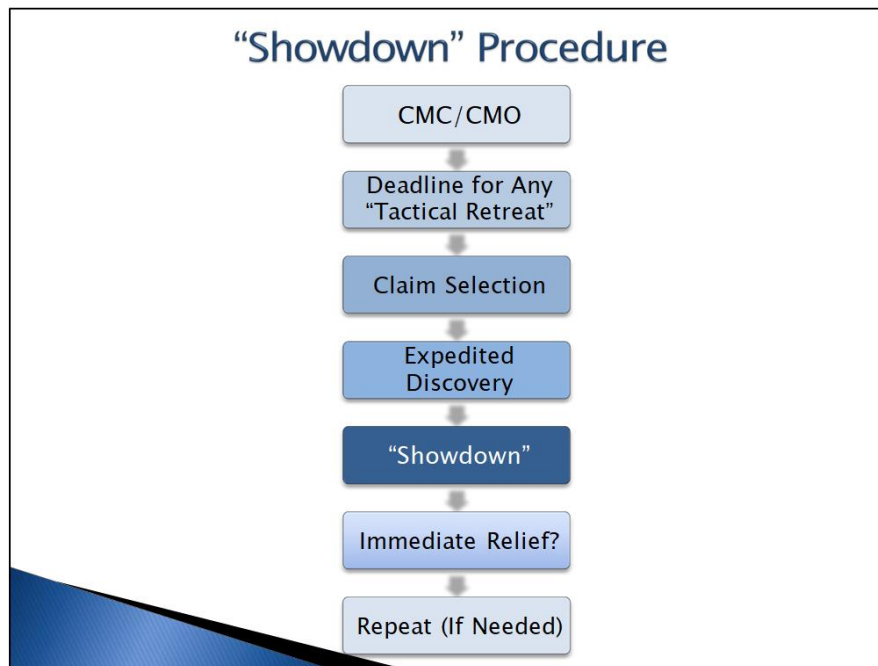
reexams almost never resulted in anything being disqualified or thrown out. I said, “We’re going to move right ahead, and you can make your case to the jury.” That was my view. No delay; we’re going to go right on in and go to trial.

And I had that same idea when the IPRs got started. But when it became clear that so many were being invalidated by the PTAB, it became foolish for me to continue to push ahead. So, I have now flipped over, and I issue a stay pending IPR almost always when one has been instituted. Once it has been instituted, I will say, “Okay, we’re going to wait and see what the PTAB does.”

Sometimes it gets complicated because in these cases the patent owner usually asserts a multitude of patents. Do you stay everything or do you just stay the one that’s been instituted? It depends. You have to sort out how overlapping the patents are and how much discovery would be duplicated. It’s not quite so clear sometimes, but at least with the ones on which an IPR has been instituted, those are stayed. That’s where I am now; I think that works pretty well.

C. The Showdown Procedure

But that only takes care of a certain percentage of the cases; we still have many more patent cases on the docket. What else can we do?

Figure 5. The “Showdown” Procedure

As depicted above in Figure 5, I have developed what I call a “showdown” procedure that I’ve now used in four cases. It’s like the movie *Gunfight at the O.K. Corral*. I’m even going to tell you the name of one of the cases because it’s over. It was *Comcast v. OpenTV*.¹⁸ OpenTV, the patent holder, had 13 patents asserted against Comcast with 133 claims. In federal court, we have a thing called, “case management conference,” so I called them in for the initial case management conference.

The lawyers were presenting it to me as if I had to go through 133 claims and construe them, read 13 patents and the prosecution histories and figure out what they meant and hear expert testimony. I said, “I have other things to do. People are going to miss out on their social security check because I can’t rule on their case. There’s got to be a better way.”

I said, “You’ve got to reduce the number.” The plaintiff reduced the number to, I think, 98 claims. I said, “No, not good enough.” I was sitting on the bench, and I said, “Here’s what we’re going to do.” I pointed to

18. *Comcast Cable Communs., LLC v. OpenTV, Inc.*, 2017 U.S. Dist. LEXIS 123604, No. C 16-06180 WHA (N.D. Cal. Aug. 4, 2017).

Comcast, the accused infringer, and I said, “You’re going to pick the weakest claim—whichever one you want—just pick one claim. You’re telling me these are all bogus; you pick the one you think is the most bogus and you bring a motion for summary judgment on that one.”

Then I said to the patent holder, “In parallel, you get to pick the strongest claim for infringement, whichever one you want, and you bring that for summary judgment. I’m going to give you four months of discovery to make sure everyone’s got discovery, and we’re going to have summary judgment.”

They were looking at me with big saucer-like eyes. Then I said to Comcast, “And now get this: if the patent holder wins, we’re going to entertain a motion for an injunction, and your product may go off the shelf. We won’t have to reach the other 97 claims; your product will be history if the patent holder wins.” I turned to the patent holder and said, “But if you lose, maybe it’s sanction city.”

So we went through this process. Here’s what happened. I gave the parties a schedule, and Comcast picked a certain claim. Immediately, the other side withdrew it. In fact, they went through the entire patent. Remember, there were 13 patents to begin with so, they had 12 left. So, Comcast picked another one. They withdrew that one too. This happened four times. Every time Comcast would pick one, the other side withdrew it.

Finally, Comcast said, “Okay, we’ll just pick the claim the other side picks as its best one, and we’ll litigate just one.” So, that’s what they did; they litigated it, they did discovery. And when we get down to the hearing; it was so crystal clear—there’s no way that it was infringement. So, I ruled for Comcast. Then I said, “Sanction city.” Under the Patent Act, you don’t have to have sanctions; it’s just exceptional. So, this was exceptional. “Your best one was no good, and so, you’re going to pay for the costs so far.” I told Comcast to bring that motion.

That went on for about 10 days, and then I got a notice, “Case over.” I said, “This is good. This one simple procedure.” I did have to learn. This simple procedure got right at the heart of the case.

That was about a year ago; I’ve got three others. Actually, one of them I ruled that the plaintiff was going to win except for one issue, and that’s going to have to be tried to a jury. So, the plaintiff won on their strong one—the patent holder; and the other side won on the one they picked as the weakest one. I didn’t think either side deserved sanctions in that case or a fee so, we’re just going to have a trial on that one issue. That one’s still up in the air. Then on the other two, they’re in the earliest stages so, I can’t report on how that’s come out.

Why do I bring this up? Because we struggle to find a way to manage this. You can't possibly think that some judge is going to have the time to go through 98 claims; that would take many months with nothing else getting done. We've got people sentenced for child pornography; we've got people on the sentencing guidelines for drug offenses; we've got all these immigration cases; we've got Title VII employment. We've got all of it. We would grind to a halt if we did 98 claims.

So, the lawyers out there, think about ways to help the poor district judge. You say, "Well, let's try that thing that the judge in San Francisco came up with called, the 'showdown' procedure." Really, it gets at the heart of the case, doesn't it?

CONCLUSION

What I have discussed today is what I call *modus vivendi*, meaning a way to muddle through. *Modus vivendi*. There is no clean way to do these patent cases. It's a plague on innovation. I'm going to continue to follow the law, and everyone's going to get exactly what they deserve under the law. But in my professional view, when I step back and see what's going on in America and with company after company—who really do invest in innovation and do something good for the country—every time there's a success story, people come out of the woodwork and say, "You've got to subscribe to our portfolio of worthless patents." I feel it's wrong. I think you people who control the system ought to fix it before something drastic happens. This is just my two cents.